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May 12, 2006

John M.S. Hoefer, Esquire
Benjamin P. Mustian, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, SC 29202

Re: Application of United Utility Companies, Incorporated for Adjustment of Rates and Charges and Modification to Certain Terms and Conditions for the Provision of Water and Sewer Service
Docket No. 2006-107-WS

Dear Mr. Hoefer and Mr. Mustian:

The South Carolina Office of Regulatory Staff ("ORS") anticipates hiring at least one expert witness to testify in the above-referenced matter. As you are aware, S.C. Code Ann. §58-4-100 allows the ORS Executive Director to hire expert witnesses to appear before Commission proceedings. The statute is set forth in full below:

To the extent necessary to carry out regulatory staff responsibilities, the executive director is authorized to employ expert witnesses and other professional expertise as the executive director may consider necessary to assist the regulatory staff in its participation in commission proceedings. The compensation paid to these persons may not exceed compensation generally paid by the regulated industry for such specialists. The compensation and expenses therefore must be paid by the public utility or utilities participating in the proceedings upon order of the commission or from the regulatory staff's budget. If paid by the public utility or utilities, the compensation and expenses must be treated by the commission, for ratemaking purposes, in a manner generally consistent with its treatment of similar expenditures incurred by utilities in the presentation of their cases before the commission. An accounting of compensation and expenses must be reported annually to the review committee, the Speaker of the House of Representatives, and the Chairman of the Senate Judiciary Committee.

Pursuant to the above statute, ORS plans to seek compensation for its expert witness from United Utility Companies, Inc. ("UUCI"). ORS will provide UUCI with the necessary information as it completes its expert witness selection and as it becomes available. If you have any questions or would like to discuss this matter further, please do not hesitate to contact me.

Sincerely,

Shannon Bowyer Hudson

Shannon Bowyer Hudson

cc: Charles L.A. Terreni, Esquire

